WORLD BANK NEWS

Volume XIV, No. 13 March 30, 1995

LENDING

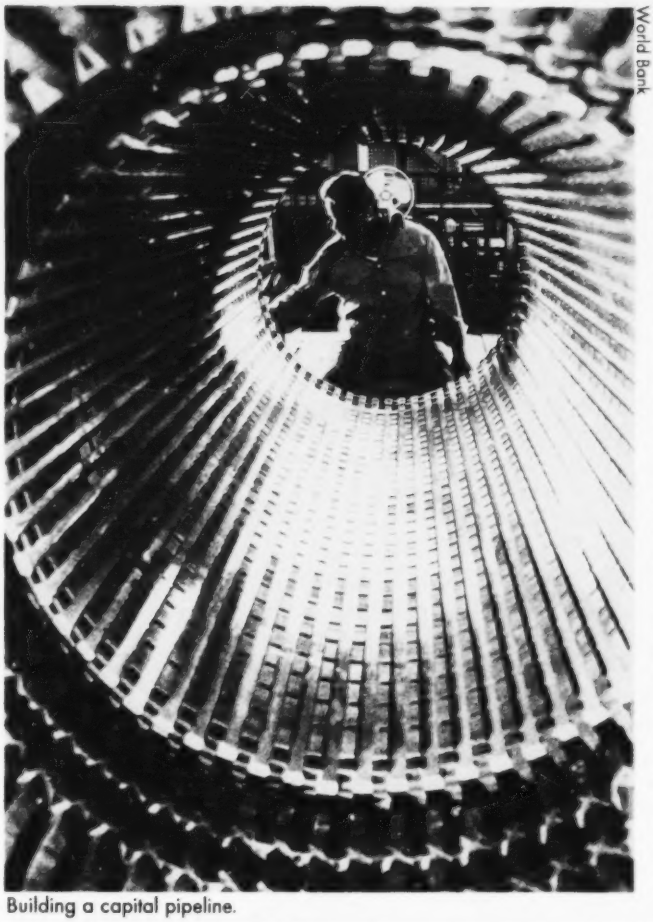
Freeing Finance in India

Bank Restructuring to Ease Business Capital

The lifeblood of business the world over is the capital provided by accumulated savings. Every financial system functions as a sort of mediator between savers and borrowers such as businesses that need capital to expand. When that financial system is flexible, private enterprise has a better chance to flourish—from farmers to village artisans to multinational enterprises.

India boasts one of the developing world's largest financial systems and enjoys a relatively high saving rate. But until recently, financial services in India were constrained by overregulation. Because capital must move more freely for the economy to grow and poverty to fall, the government has moved to liberalize India's banking sector.

To support India's reforms, on March 21 the World Bank approved a $700 million loan for financial sector development. The Bank's largest loan to India to date, this is the first Bank project assisting India with the modernization of its banking sector. The loan is also the first directed at making it easier for banks and other financial institutions to gain direct access to private foreign currency markets as a way to fund their foreign currency loans.



World Bank

Building a capital pipeline.

Reforms under the loan will make it possible for India to move forward with more robust local private sector and export activity. It should help establish a sound framework for the financial sector. And future Bank activity in the sector could extend to cover rural finance and housing finance.

The overall objective of the government's financial sector reforms is to encourage broad-based private sector-led growth through private market financing. Accomplishing this goal requires a more stable financial system to channel private capital flows toward productive investment, which would expand India's export

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Project to Modernize and Strengthen Indian Banks

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base and strengthen its international competitiveness.

The largest portion of the loan package will go to capital restructuring, a key element for India to enhance the banking system's stability and competitiveness — a move that would make bank shares more attractive to potential private sector investors. It follows that an expansion of private equity in public sector banks would improve bank management by subjecting them to the rigors of a private shareholder base, reorient their business toward competitiveness and improved customer services and allow them a greater degree of autonomy.

The loan will also fund bank computerization and specialist services to help participating banks modernize. In addition, the loan provides a "backstop facility" to enable eligible banks to offer longer-term foreign currency loans to companies with foreign exchange earnings. Demand for such loans has strengthened in recent years with India's strong growth and the liberalization of its foreign trade and payment system.

Women borrowers, individually and organized in cooperative groups, have already benefited from reforms in the banking system as special credit lines have been made available for exports and small-scale industries. Women entrepreneurs will continue to benefit from the term borrowing opportunities that the backstop facility will make possible.□

☎For More Information *on the World Bank and India, contact Paul Mitchell at (202) 458-1423.*

Better Services for Argentina's Urban Poor

In Misiones, Argentina's second most densely populated province, only one in four residents has access to sanitation systems and only a third have paved roads near where they work and live. Tucked between Brazil and Paraguay in the northeastern corner of the country, Misiones typifies how investment in basic municipal services has lagged far behind the needs of Argentina's people.

"It is the urban poor who often suffer the most from inadequate infrastructure," says Gerhard Menckhoff, a senior transportation specialist in the Bank's Latin America Region. The lack of basic services leads to avoidable public health and environmental threats; a combination of unpaved roads and poor street lighting make travel difficult and unsafe.

In the past 10 years, for example, the number of families living without paved streets in suburban Buenos Aires and Rio Gallegos—the capital of Santa Cruz Province—climbed by 25 percent and 15 percent, respectively.

Now, a $210 million World Bank loan approved March 23 will help vitalize municipal development in 13 provinces, representing 70 percent of the total population. The project will back the government's policy of decentralization by financing relatively simple, cost-effective investments in key areas, such as street paving, public lighting and small extensions of water and sewer lines. In order to participate in the new project, cities and towns will have to show that services would be carried out in a sustainable and fiscally sound way.

The project will be the second Bank effort focusing on smaller-scale urban infrastructure development in Argentina. "The first

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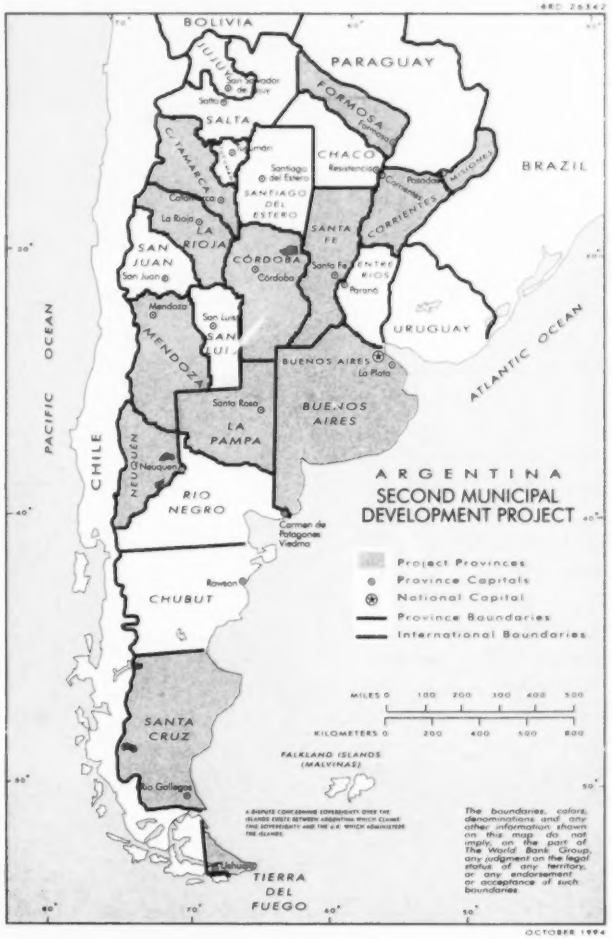

IBRD 26342/World Bank

SEMINARS

For Congo: A Lesson in Privatization

Congo is fighting its way out of its decade-long economic plight. Since 1991, the democratically elected government has been moving toward a free market through a range of difficult economic reforms that features a sweeping privatization plan. The plan—unprecedented in Africa—will privatize ports, railways, water supply systems, electricity and the large state-owned oil company.

This week, at the request of Congo's government, the World Bank hosted the country's entire Privatization Committee for a week-long course in privatizing state enterprises. Drawing on their experience in developing countries around the world, Bank experts briefed the Congolese on different privatization techniques and strategies and on ways to improve internal and external communication.

"The government requested that the World Bank in particular hold this seminar because the Bank has a wide range of experience in many countries," said Pascal Bobassa-Ebale, economic reform advisor to Congo's minister of finance. "We were able to benefit from the expertise of Bank specialists, especially with regard to the legal framework and the privatization of telecommunications."

The Privatization Committee is made up of senior government officials, Congolese journalists and representatives of local non-governmental organizations. They are charged with overseeing the wide-ranging privatization program, which was spurred in part as a response to last year's devaluation of the CFA Franc. The increased exports expected from the devaluation did not occur in Congo because of the inadequate roads, railways and other infrastructure.

The privatization seminar was prepared jointly by the Bank's Africa Region, Private Sector Development Department and Personnel Training Division. □

CONFERENCES

The World Bank and Global Climate Change

World Bank officials are among the scientists and policy makers from around the world gathering this week in Berlin to forge greater international cooperation on climate change and global warming. The meeting is the first gathering of parties to the United Nations Framework Convention on Climate Change. Below are excerpts from a World Bank paper on the Convention presented at the conference:

The World Bank will continue to give priority to helping borrowing countries meet their energy demands efficiently and in a manner consistent with sustainable development. The demands for commercial energy in developing countries are likely to grow substantially in the next few decades under any development scenario, including an energy efficient scenario. This is because (a) developing country per capita consumption levels are very low—less than one -tenth, and in the case of electricity, less than one -twentieth—of those of rich countries; (b) two billion people are dependent on fuelwood and dung for cooking and two billion are without electricity (90 percent of the population in Africa); and (c) not meeting their demands efficiently would facilitate large-scale impoverishment; in

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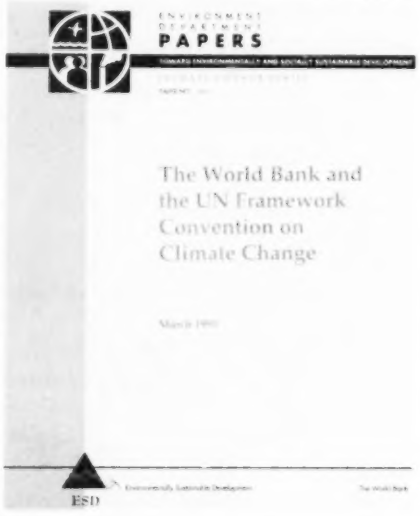


Based largely on the international Convention and the World Bank's role as a partner in development, the Bank has formulated six principles to guide its work in mitigating climate change. Under them, the Bank should:

- **Support client countries' implementation of their commitments under the Convention as part of their national climate change plans;**
- **Help client countries integrate climate change considerations into development policy and planning;**
- **Promote policies and investments that serve both development and environmental goals, and at the same time help identify, clarify and analyze trade-offs between socio-economic and global environmental objectives.**
- **Leverage and maximize the impact of resources through the Bank's role as a GEF Implementing Agency and a mobilizer of bilateral and private sector financing;**
- **Integrate GEF financing with regular development finance and private sector finance to transfer low- and no-carbon technology.**
- **Be flexible in the light of new information and international guidance, such as the adoption of the Convention.**

World Bank Roundup

Chad Chad's population has more than doubled in the last 30 years to reach about 6.8 million, and it's growing at 2.5 percent a year. And more than 100,000 people are infected with the AIDS virus. To help Chad address both problems, IDA on March 23 approved a $20.4 million credit. The project will help Chad implement its national population policy, boost its efforts to control the spread of AIDS and other sexually transmitted diseases, help launch a social marketing plan for condom use and promote greater involvement by the private sector and NGOs. Contact Eric Chinje at (202) 473-4467

Ghana A $9.6 million IDA credit to Ghana approved March 28 will improve short-term vocational training for up to 25,000 apprentices and mastercraftsmen and women to improve product quality and productivity in key trades. The project will provide equipment and managerial advice to 40 public and private training institutions, with emphasis placed on five high-demand trade areas. Contact Eric Chinje at (202) 473-4467

Haiti A $50 million credit from IDA, approved March 23, will help Haiti begin to clear a major bottleneck to economic recovery: it's dilapidated road system. The project will clear the way for commercial traffic and provide much-needed jobs. It will rehabilitate and help maintain roads and bridges around the country, provide traffic management and improve roads planning. Contact Ciro Gamarra at (202) 473-8721

Honduras One of Latin America's poorest countries, Honduras boasts strong natural resource potential. But poor planning and management have led to problems: Honduras has lost 40 percent of its forest and also faces serious soil degradation, water pollution and loss of marine and coastal resources. A $10.8 million IDA credit approved March 28 will boost Honduras's ability to make and carry out natural resource policy. Environmental management, planning and monitoring will be improved at the national and local levels.

Also on March 28, IDA approved a $30 million credit to improve education in Honduras. The project aims to lower illiteracy from 32 percent and raise average schooling above 3.5 years. It will improve education through better materials, administration and training for teachers, bilingual teaching in indigenous areas and better school facilities. Contact Antonio Pimenta-Neves at (202) 473-8722.

Malawi Malawi is landlocked and depends on neighboring countries for all overseas imports and exports. A $16.6 million IDA credit, approved March 28, will help Malawi restructure its vital railway system. The project will help boost economic growth by helping restructure and eventually privatize rail routes, and formulate and implement a competitive transport policy. Contact Eric Chinje at (202) 473-4467.

Mauritius To maintain economic growth, Mauritius must move more into higher technology industries and services. To help that transition, a $16 million World Bank loan approved March 23 will make broad improvements in the University of Mauritius and at polytechnic institutes. In part, the program will increase the number of graduates, especially in engineering, science and management, improve facilities and teachers and foster ties with employers. Contact Eric Chinje at (202) 473-4467.

Turkey The International Finance Corporation agreed March 24 to extend a $40 million line of credit to a commercial Turkish bank, Turk Ekonomi Bankasi A.S., to expand its trade finance activities. Turkish exports are more competive, but exporters need to be able to obtain foreign currency financing. The financing package includes a $20 million loan syndicated with commercial banks. Contact Amy Conran at (202) 473-9119.

Uzbekistan A $160 million rehabilitation loan approved March 28 by the World Bank will help accelerate Uzbekistan's structural reform program. The loan will finance imports and provide foreign exchange, helping the government make the transition to a market-based economy. The loan will bolster Uzbekistan's new currency and provide a framework for donor support. Contact Jan Pakulski at (202) 473-1797.

Venezuela In Venezuela, small farmers usually can't afford the available private extension services. A $39 million Bank loan approved March 23 will help give small farmers better access to new technology through a new public extension service. The project will help Venezuela train extension workers and set up the decentralized system at the national, state and municipal levels. Contact Antonio Pimenta-Neves at (202) 473-8722.

Development Agenda

Date	Event	Sponsor	Location	Telephone
APRIL				
1	Conference on Medical Education: The Relevance of Medical Education to Better Health in Africa	World Health Organization	Cape Town	(202)473-4128*
3-6	Sixth Global Warming International Conference and Expo	The Global Warming International Center	San Francisco	(708)-910-1551*
7	Climate Change Conference: The World Bank and Climate Change	Federal Republic of Germany	Berlin	(202)473-3676*
20-21	Pakistan Consortium Meeting	World Bank	Paris	(33-1)4069-3016
24-25	IDA Deputies Meeting	World Bank	Washington	(202)473-1787*
24-28	Spring Meetings	World Bank	Washington	(202)473-1787*
25-26	Bangladesh Aid Group Meeting	World Bank	Paris	(33-1)4069-3016
27-28	Sri Lanka Aid Group Meeting	World Bank	Paris	(33-1)4069-3016
27-28	Transport India 95	Indian Ministry of Surface Technology and Ministry of Railways	Singapore	(202)458-2838*
MAY				
9	Environment for Development	The New England Environment Expo	Belmont, MA	(202) 473-3676*
11	Presentation: General Overview of Economic Development in Middle East and North Africa	Japan Int'l University	Japan	(202)473-2318*
17	Panel Discussion on the Role of Multilaterals in Developing Infrastructure in Latin America	World Congress, Inc.	Mexico City	(202)473-2763*
26	Kazakhstan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
29	Azerbaijan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
29-31	Latin American Power Industry Summit	AIC Conferences	Santiago	(202)473-1033*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Bank Works with Client Countries on Climate Change

CLIMATE, *from page 3*

From the World Bank document on climate change presented at this week's Berlin conference:

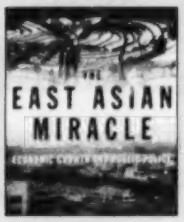
creasing dependence on fuelwood and dung on a more massive scale as populations rise would be environmentally unsustainable.

The Bank believes that there is significant potential in member countries for efficiency gains, substitution of lower carbon fuels such as natural gas and the application of renewable energy technologies. There are also critical shortages of conventional energy supplies and, in many countries, major shortcomings in energy policies. The Bank's energy sector strategy encourages the adoption of appropriate energy pricing and institutional reform. The strategy also recognizes the need to support commercial energy development as part of economic development and as a substitute for environmentally damaging dung and fuelwood consumption.

The Bank also considers within its investment operations measures that would mitigate the country's vulnerability to climate change, particularly in infrastructure and agriculture.□

☎For More Information *on the World Bank and climate change, contact Charles Feinstein at (202)473-2896.*

World Bank Data on Diskette



The broad statistical databases used to produce three major World Bank reports are now available to journalists and researchers on diskette. The diskettes contain the "raw" data—not data tables—from the first three volumes of the Bank's Policy Research Reports Series: *The East Asian Miracle, Adjustment in Africa* and *Averting the Old Age Crisis*. The text of the reports is not included on the diskettes. Each database costs $14.95. For information on how to order, call (202) 473-1155.

Argentina Fortifies Urban Services

ARGENTINA, *from page 2*

Bank-funded project demonstrated the value of simple, easy-to-implement investments and the limited role assigned to the federal government," says Menckhoff. "This kind of project embodies the Bank's focus on reducing poverty by combining economic growth with managerial efficiency."

Argentina, one of the most urbanized countries in Latin America, has a three-tiered system of government—central, provincial and municipal. Since 1991, the central government has assigned more responsibility in areas such as education and health care to provincial governments. In turn, municipalities have gained more responsibility for services such as road paving and street maintenance, water and sewage, garbage collection and some health, education and other community facilities.

Municipal spending currently represents about 3.5 percent of Argentina's GDP, and transfers from the provinces to the municipalities have doubled since 1991, increasing from $1.4 billion to $2.8 billion in 1993.

As decentralization progresses in Argentina, it becomes even more important that municipalities become more fiscally responsible through reforms in areas of planning, budgeting and financial programming.□

☎For More Information *on the World Bank and Argentina, contact Antonio Pimento-Neves at (202) 473-8722.*

WORLD BANK NEWS

Steve Hendrix, Editor
Michael Prest, Editorial Advisor
Cynthia Delgadillo, Production Assistant

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